

although he (Iger) did not think Phoenix was in serious jeopardy, he wanted us to know that there certainly was a possibility of our losing our ABC affiliation. He referred to the importance of Detroit and Cleveland to the national ratings for ABC's principal news program, Peter Jennings' "ABC World News Tonight." He said that Cleveland and Detroit accounted for as much as half a rating point on the Jennings newscast.

20. Bob then repeated the substance of what he had said earlier about his position and Murphy's: "I am trying to hold tight on Phoenix but Murphy feels that he has to be able to play that card if he needs it." I said, "They are really putting a press on this." He misunderstood me and said, "No, don't go to the press with this." I explained again what I had said, and he agreed that Scripps Howard was pushing ABC very hard and was demanding the Phoenix affiliation.

21. At the end of the conversation Bob said that he would keep us updated as soon as he heard anything else. He said that he did not know when ABC would be meeting or talking with Scripps Howard again. I thanked him for his time and candor and apologized for interrupting his vacation. He said that was no problem and that I could reach him through his office if I needed him.

22. I was to leave for New York the next day, June 1, to meet with Telerep, our national sales representative. Our Phoenix attorney, Tom Chauncey, was going with me. After my

conversation with Bob Iger on May 31, I called Bryce Rathbone, Vice President for Affiliate Relations, at ABC in New York and told him that I would be in New York the next day. We made a date for lunch on June 2, and I told him Tom Chauncey would be with me. It occurred to me that I should try to see Tom Murphy while I was in New York and discuss with him what Bob Iger had told me about the possibility that we might lose our ABC affiliation. I decided, however, that I should talk first with Bob Iger and ask whether he thought that would be appropriate. So, I asked my secretary to call Bob Iger's office and ask that Bob call me on the morning of June 2 at my New York hotel.

23. Bob Iger called me at about 7:20 a.m. on June 2. I told him that I was in New York for a meeting and that normally I would stop in at ABC and meet with Bryce Rathbone, George Newi and other ABC people. He said, "You should do that." I said that I had already set up a lunch meeting with Bryce Rathbone. He said that was good. I said that the real reason I had asked him to call me was that, if Tom Murphy was in town, I would like to stop in and see him but that I would not call Murphy unless he (Iger) thought it was appropriate. Bob said that would be fine. He said Murphy would not be in until the afternoon but that I should call his secretary and make an appointment.

24. At about 10:00 a.m. on June 2, 1994, Tom Chauncey and I went to Bryce Rathbone's office at ABC. I told Bryce about my conversation with Iger earlier that morning. Bryce suggested

that we call Murphy's secretary. I did. She set up a meeting with Tom Murphy for 3:30 p.m. At about that time George Newi came into Bryce Rathbone's office. I introduced Tom Chauncey as our company lawyer and said that, although Tom Chauncey was in New York with me for a Telerep meeting, I thought I would bring him to the meeting that afternoon with Tom Murphy since Tom Murphy and Tom Chauncey's father were old friends. I thought that Tom Murphy would enjoy talking to Tom Chauncey about his dad.

25. George Newi then said that he was sorry about what was going on. He said that there were massive rumors that Scripps Howard had already decided to switch its Cleveland and Detroit stations from ABC to CBS. He said that, "Even Roger King [one of the industry's leading program syndicators] called me to say that Scripps was switching in Cleveland and Detroit." George said that this was so crazy that he had called a top official at Scripps Howard and asked him if there was any truth in it. George said that the Scripps Howard official said no and that he (George) then asked the Scripps Howard official to get the word out to his employees.

26. George Newi said again that he was sorry about what had happened to us but that Scripps Howard was demanding Phoenix and Tom Murphy wanted to have all the chips he needed when he sat down with the people from Scripps Howard. George said that

he did not know when that would be because the CEO of Scripps Howard was sick.

27. Bryce Rathbone said that, when I met with Murphy that afternoon, I should make a point of what KTVK had done in the community. He said that I should let Tom Murphy know about "some of the phenomenal stuff you are doing." George Newi left for a while, but then he came back to say that, since I planned to bring Tom Chauncey to the meeting with Tom Murphy that afternoon, he wanted to give Murphy an opportunity to have an ABC attorney present. I told George that I did not think that would be necessary and that I did not want to make this a legal meeting but rather a personal one. I said that, if Tom Murphy was not comfortable with Tom Chauncey being at the meeting, Tom Chauncey would simply wait outside. George Newi said that he would make the call to Murphy's office and we would know the decision when we came back for the meeting.

28. Bryce Rathbone, Tom Chauncey and I then had lunch. After lunch, Tom Chauncey and I went back to our hotel and decided that we should defuse the "lawyer" problem by simply having Tom Chauncey stay at the hotel and not go to the meeting with Tom Murphy.

29. I went back to the ABC building and went directly to Tom Murphy's office at about 3:15 p.m. Tom Murphy and George Newi came out of Murphy's office and met me in the anteroom. Tom Murphy was disappointed that Tom Chauncey was not there. We

went into Murphy's office and had general conversation for a few minutes. When the conversation turned to KTVK, Tom Murphy complimented me on the station. He said something like, "You guys have built one of the best ABC affiliates in the country out there and I would feel comfortable telling that to anyone." He said that he was very aware of what the numbers were (referring to our ratings and our position in the market) and what we had accomplished with the station. He also said that he had read my letter regarding our compensation rate and he agreed that the dollars I had requested from George Newi were fair. He said that if the present problem worked out we should get those dollars because we deserved them.

30. Tom Murphy asked me if I thought Del and Jewell Lewis and the family would be interested in selling the station. He said that might be a way to solve this thing. I told him that I doubted that but that I couldn't say for sure. He said he understood. He said that he did not like selling anything.

31. Tom Murphy then talked about Scripps Howard and ABC's relationship with that company. He said that ABC had sold the Detroit station to Scripps Howard (this was in 1985) and that when it became necessary for ABC to sell the station he had been urged to offer it to Scripps Howard. He said that the person who made that recommendation (and I believed he named Leonard Goldenson, former head of ABC, as that person) told him that Scripps Howard had been a good affiliate and would be a good

owner of the station. It seemed to me that Tom Murphy was wondering how Scripps Howard could now be turning against him, although he did not verbalize it in that way. He did say that Scripps Howard was really putting the pressure on ABC. He talked about the kind of hit that the network was facing if it lost its affiliates in Detroit and Cleveland. He said that Scripps Howard was adamant about Phoenix. He said that Scripps Howard had made it clear that Phoenix must be part of the deal if Scripps Howard was to stay with ABC in Detroit and Cleveland. He said that he wanted to save our affiliation if he could but that we needed to understand that we were in serious jeopardy. He said that the loss of Cleveland and Detroit would be very hurtful to ABC and that Scripps Howard was very clear about its threats. He said that he had told Scripps Howard that he would give in on Tampa. He said that he did not want Scripps Howard to know it but that he could probably live without Detroit because there was another VHF station in Detroit that ABC could pick up. He did not say which Detroit station he had in mind. He said that he did not want to give in to Scripps Howard on Phoenix even though Scripps Howard was demanding it.

32. I told Tom Murphy that we valued our partnership with the network, and I reminded him of KTVK's 40-year association with ABC. He said that he understood and did not want to give up that association. He said that he did not know when the ABC people would talk again with Scripps Howard. George Newi then asked if he (Tom Murphy) wanted George to call Scripps Howard to

set up a meeting. George said, "I can just give him a call right now and try to set it up." Tom Murphy seemed uncomfortable with that, apparently because I was there, and he suggested that George call later from his own office and let him (Tom Murphy) know the results. As we discussed the various markets that might be involved in group ownership deals and network swaps, it seemed to me that Tom Murphy was not fully briefed on the situation. Several times he asked George Newi about market sizes or who owned what station.

33. Tom Murphy asked me if I knew how much gross revenue was produced by the Scripps Howard station in Phoenix. I told him I did not know. He asked me to make a guess. I told him that I would not feel comfortable in doing that. As I prepared to leave, I told Tom Murphy that we were very concerned about what was happening. I asked him if there was anything we could do. He suggested that, "You should light some candles." He told me that his people would keep us apprised of every move and would let us know when they arranged for their next meeting with Scripps Howard.

34. A few days later, on June 7, 1994, I was at the ABC Affiliates Convention in Los Angeles with my wife. We had just arrived at the opening cocktail party when we (literally) ran into Bob Iger. He seemed nervous. He said, "I still know nothing new. I keep telling him [Tom Murphy] that I don't want to give in to them [Scripps Howard] on Phoenix. But he is the

boss and they are pushing hard. I still don't know when the meeting will be."

35. Later that evening, my wife and I joined Del and Jewell Lewis for dinner with Bryce Rathbone. During dinner we talked about a lot of things including the changes occurring throughout our industry. Bryce mentioned that he felt sorry for us. As he and I stood outside the restaurant waiting for a cab, he said, "I hope they don't have to pull [the affiliation] on you guys but Scripps has a gun to their head. It would cost us half a rating point on Jennings if we lose Cleveland and Detroit. If I were you, I would keep talking about matters of the heart. Talk about long association, about honor, relationships. I think Iger really wants to keep Phoenix. I don't think Murphy believes he has any choice. Scripps is pushing him hard and if he is forced he will give up Phoenix."

36. On June 9, still in Los Angeles for the ABC Affiliates Convention, my wife and I talked to Tom Murphy as we were going back into the hotel after a luncheon. Murphy asked me, "Bill, has Bob Iger talked to you?" I said he had not. Murphy said that Iger was looking for me. I said that I would probably see him at the meeting. Murphy said that perhaps he and I could catch Iger inside and talk to him in the meeting room. I said OK. Before Murphy walked away, I said, "I don't know if you or your lawyers have considered this but something in the back of my mind says that what these guys [Scripps Howard] are doing is

illegal and I seemed to remember some case back in my memory where just this kind of thing was challenged." Tom Murphy said he also remembered a similar case but that, "It wasn't the same thing because it involved a larger company." He said that he would ask his lawyers to look into it.

37. Bryce Rathbone, who had evidently seen my wife and me talking with Tom Murphy, came up to us and asked, "Did he say anything? Anything new?" We said there was nothing new.

38. Later that day, at a special meeting of the Board of Governors of the ABC Affiliates Association and the management of ABC, with Murphy, Iger and most of the various ABC division vice presidents in attendance, it was announced that I had been named as Secretary of the Affiliates Association and a member of the Executive Committee. Late in the meeting, Tom Murphy walked over to Bob Iger, talked to him for a few minutes and then came to my seat. He handed me a piece of paper with his room number and four names on it: Tom Murphy, Bob Iger, Bill Miller and Del Lewis. He said that we should get together, just the four of us, assuming that Del could make it, at 6:00 o'clock that evening to talk. I said that I was sure that Del could make it.

39. When Del Lewis and I arrived at Tom Murphy's suite a few minutes before 6:00, Bob Iger was not yet there. Tom Murphy showed us around the suite. We talked a little bit about old times and exchanged other pleasantries until Bob Iger showed up. Tom Murphy and Bob Iger then reviewed the situation with Scripps

Howard. They said that Scripps Howard wanted ABC to become involved in a "Home and Garden cable channel" which ABC thought was a ridiculous idea. They also said that Scripps Howard was demanding Phoenix. Tom Murphy said that he did not want to leave us with no place to go, which I took as a suggestion that we should deal with CBS. Bob Iger said that, in addition to the cable deal, Scripps Howard was demanding a lot of money. Tom Murphy said that ABC had already told Scripps Howard that they could have Tampa. Tom Murphy said that he had offered Scripps Howard \$25 million "to take Phoenix off the table" but Scripps Howard would not accept it. Tom Murphy said that Detroit was the sixth market and that Cleveland was either the ninth or the tenth. I pointed out that Phoenix was the fastest growing market in America and that KTVK dominated the Phoenix market. I said that for ABC to give us up in Phoenix was to give up a big piece of the future for ABC. I said that some day in the not too distant future Phoenix could be as big as Cleveland or Detroit.

40. Tom Murphy then asked Del if he would be interested in selling KTVK. Del said that he would not. Del took a few minutes to tell about the founding of the station by Senator McFarland and his family's desire to hold onto the station. Del said that he understood that the station would be worth much less without the ABC affiliation but that the family felt that loss of the network affiliation should not force a decision to sell. Tom Murphy said that times had changed and that it was a

difficult time to be the owner of just a single station. Then he said that he agreed with Del and that, if he were in our place, he wouldn't sell either.

41. We then started talking about other possibilities. I suggested to Tom Murphy and Bob Iger that they might be interested in talking to Scripps Howard about some kind of deal with Meredith, a group owner which owns an independent VHF station in Phoenix. I suggested that Meredith might be interested in trading its Phoenix station for another station elsewhere, plus money, and that the net result could be that Scripps Howard would pick up CBS in Phoenix. Bob Iger seemed interested.

42. I then told Tom Murphy that I wanted to make our pitch. I talked about our 40-year relationship, and I reminded him of a situation a few years previously when another Phoenix station had tried to take our affiliation with ABC and what ABC told us then we needed to do to keep our affiliation. I talked about how we had done everything ABC had requested and a lot more. I talked about how we had invested millions to build one of the strongest ABC affiliates in America and that it would be a tremendous loss to ABC if we were not part of the affiliate family. I pointed out that we had supported the network in many ways other than delivering audience. I reminded him that our managers had served as chairpersons or assistant chairpersons of

the ABC News Advisory Board, the ABC Promotion Advisory Board, and the ABC Public Affairs Advisory Board.

43. Tom Murphy asked again, as he had in New York, if we knew what the revenue was on KNXV, the Scripps Howard station in Phoenix. I said I did not. Tom Murphy said he thought it was \$15 million. I asked whether that was net or gross. He said net. I said I did not believe that. Bob Iger said that he did not either, but added that "that's what they are telling us." I said that we had some information on the projected revenues for the entire market. Bob Iger asked if I would fax it to him when I got back to Phoenix, and I said I would.

44. I talked about the moral commitment that we had to each other. Tom Murphy asked me what I meant. I said that when you spend this much time building a relationship you have a commitment to each other. He asked if I really believed that. I said that, yes, I did, and I thought that he really did too and that was why we were there and why he was having difficulty with any decision to give in to the demand of Scripps Howard. I said, "To give in to the demands of Scripps and sacrifice a partnership that you have built over decades is simply wrong." He asked if I were in his place would I risk the strength of the network to save Phoenix. I said that I would and that I believed in his heart he felt the same way. He said that he did not agree because he was the head of a public company and had to answer to his stockholders. I told him that I thought the best

thing he could do was to take Phoenix off the table and call Scripps Howard's bluff. He said that Scripps Howard was demanding Phoenix and that removing Phoenix from the table was not really an option.

45. Tom Murphy then said that they were going to meet with Scripps Howard the following Tuesday, June 14. He asked whom they should contact in Phoenix to report on the meeting. Bob Iger suggested that he and I talk on Monday, June 13, and set a time to talk the next day after the meeting. He suggested that I call him as soon as I got into the office on June 13.

46. Del Lewis thanked Murphy for seeing us. I thanked both Murphy and Iger and we started to leave. Tom Murphy then said again, as he had in New York, "You should go and light some candles."

47. After returning to Phoenix, I spent much of Saturday, June 11, writing a letter to Tom Murphy and Bob Iger restating our position on the Scripps Howard threat. I sent a copy via Federal Express to each of them at their New York offices. A copy is attached as Attachment C. Among the things that I said in that letter was that, "We do realize that you are being squeezed hard by forces that have the power to truly hurt ABC if you do not acquiesce to their demands." I also said that, "For us, this whole affair is a new form of business terrorism that threatens to make us the ransom that you must pay to rescue two markets held hostage. Make no mistake, we do understand that

you are also victims. Still, we feel caught in the cross fire with no leverage, no weapons to defend ourselves save our passion, success, dedication, and loyalty." I said that, "Our one hope is to convince you that the ransom is too high and the terrorists know it!" I reminded him in the letter of the history of KTVK and its affiliation with ABC, the strength of KTVK in the market, and the consequences for ABC in the Phoenix market if it switched its affiliation to KNXV.

48. On Monday June 13, 1994, I got into office at about 8:00 a.m., Phoenix time, and called Bob Iger. His secretary told me that he was in a meeting and would call me later. Bob Iger did call later and said that the meeting with Scripps Howard was set for the next day, Tuesday, June 14. He said, "Tom and I are flying down to Cincy and we will meet with the guys from Scripps." He said that they would call me from Cincinnati as soon as the meeting was over. He said that he had read my letter of June 11, but he made no other comment about it and took no issue with anything I had said in the letter. I told Bob that I had also sent him by fax the materials on Phoenix market revenues that he had requested. He said that he had not seen those materials yet but would find them and review them. He said he would be calling me at about 9:00 a.m., Phoenix time, the next day.

49. The next day, Tuesday, June 14, I spent most of the morning waiting in my office for Iger or Murphy to call. They

did not. Finally, in the early afternoon, I called Iger's office in New York. His secretary said that he was en route from the airport to the office and would call me when he arrived. Some time later, Iger did call. I asked him to wait while I called Del Lewis into my office so that we could listen on the speakerphone. Iger apologized for the delay in calling. He said that they just could not find any privacy after leaving the meeting in Cincinnati with Scripps Howard, and when they got to the plane, they could not get a channel. He said, "It doesn't look good" and that their meeting with Scripps Howard went on for hours. He said, "They were really tough." He repeated that it did not look good. I asked if that meant that ABC had given in to Scripps Howard on Phoenix. He said yes and Tampa too. I asked if that meant that, if ABC wins this deal (meaning if Scripps Howard decided to stay with ABC in Detroit and Cleveland rather than switch to CBS), we would lose our affiliation in Phoenix. He said yes. He then said that the Scripps Howard people would have a board meeting the next day, Wednesday, June 15, and that they would decide at that time between ABC and CBS. He said that he would call us as soon as he heard.

50. The next day, Wednesday, June 15, 1994, I spent the day waiting for Bob Iger to call. I did give Bryce Rathbone a call in the early afternoon to see if he had heard anything. Bryce said that he thought the Scripps Howard board meeting was in the afternoon, Eastern time, so we might not hear for a

while. I asked him if he had any thoughts on how it would come down, meaning whether he thought Scripps Howard would stick with ABC in Detroit and Cleveland or switch to CBS. Bryce said that he thought ABC would get the deal. I asked why. Bryce said that ABC just had too much to lose in Detroit and Cleveland, and so Murphy would have to give Scripps Howard whatever it took to meet the Scripps Howard demands.

51. Bob Iger did call in the early afternoon, Phoenix time. I asked him to wait while I called Del into my office and put him on a speakerphone. Bob said that he was sorry to be the bearer of such bad news but they "had to" give Scripps Howard our affiliation. He said "we also had to" give them Tampa and another market that he could not reveal because the station owners had not yet been advised. He said that this was his first call and the hardest and said again how sorry he was. I asked him how the timing of the affiliation switch would be worked out. He said that he had not even thought about that and that those decisions would be made later. We said goodbye and then Del and I called together the station management team to let them know. We then called a meeting of the entire station and informed everyone of the loss of the affiliation.

52. Sometime after 3:00 p.m., Phoenix time, Tom Murphy called. Del and I talked with him in Del's office on the speakerphone. Tom Murphy said that he was "so sorry." He said that Scripps Howard just drove too hard a bargain and "forced"

him to give up Phoenix. He said they were also "forced" to give up Tampa. I asked him about the other market that Bob Iger had mentioned. He said it was Baltimore.

53. Tom Murphy said that he was very sorry and offered to help us in anyway that he could. He suggested that we get together with CBS and make a presentation to CBS as soon as possible. He said to me: "Bill, you should call and make an appointment and meet with CBS tomorrow and make a deal. You should take Del along. It will be very impressive to have the owner there." He said that with such a strong station we should be able to make a strong presentation to CBS. He said that he would be willing to actually go himself and speak to the people at CBS if we wanted him to do that in order to explain the situation and our strength. He stressed his sorrow for this ending of our 40-year relationship with ABC. Del and I were both polite and thanked him for calling.

54. The next morning, June 16, I called Tom Murphy in his office in New York. He was not immediately available, but he shortly called me back. I told him that I wanted to follow up on his offer to help. I asked if he would give a call to Howard Stringer at CBS and ask if Stringer would give us an opportunity to make a presentation. Tom Murphy said that he would do that. Later, I heard from Tony Malara of CBS that he was present when Tom Murphy called and talked with Stringer. Tom Murphy did

indeed ask if Stringer would see us and Stringer said that he would.

55. On Friday, July 1, 1994, I called Tom Murphy's office in mid-morning, Phoenix time. His secretary said that he had left early for the July 4 weekend, but would be calling in from home. She said that she would have him give me a call. Tom Murphy did call me from his home in mid-afternoon, Phoenix time. I told him that I was calling for two reasons. First, I wanted to thank him for his assistance in our bid for CBS. I said that, although we did not receive the CBS affiliation in Phoenix (CBS had decided to affiliate with Meredith's station), we did appreciate Tom Murphy's going to bat for us. Tom Murphy asked if we had a chance to see Howard Stringer personally. I said that Stringer did sit in on our meeting and I again thanked Murphy for calling him.

56. I then said that the second reason I called was to see if there was anything we might do, even at this late date, not to lose our ABC affiliation. I said that I know that sometimes companies get into deals of this kind and then find that things just don't work out. I said, "What if we were to put something like \$20 million on the table. Would that help?" He said, "Thank you for making that offer but the deal is done. We have signed it and we are waiting for them [Scripps Howard] to return it to us."

57. He asked if we had yet received a date on the termination. I said that we had not yet been notified of the termination date. He said, "The longer the better as far as I'm concerned." I thanked him for his kind words. I apologized for bothering him at home. He said no problem.

I declare that the foregoing statements are true and correct to the best of my knowledge and belief.



WILLIAM MILLER

August 19, 1994

ATTACHMENT A

Formal Notification of Termination

July 7, 1994

ABC Television Network 77 West 66 Street New York NY 10023-6298 (212) 456 6493



George H. Newi
Executive Vice President
Affiliate Relations

July 7, 1994

Via Fax and Federal Express

Mr. Bill Miller
Vice President and Chief Operating Officer
Media America Corporation
3435 North 16th Street
Phoenix, AZ 85010-5068

Re: KTVK-TV

Dear Mr. Miller:

Pursuant to Section VI of the Primary Television Affiliation Agreement between Arizona Television Company, predecessor of Media America Corporation, and American Broadcasting Companies, Inc. dated April 4, 1991, as amended (the "Agreement"), you are hereby notified that we hereby exercise our right to terminate the Agreement effective January 9, 1995. After 12:00 Midnight on January 8, 1995, consent to broadcast our Network programs shall be withdrawn and you shall have no further rights of any nature whatsoever in such programs.

Very truly yours,

A handwritten signature in dark ink, appearing to read "George H. Newi", written over a horizontal line.

George H. Newi

GHN/ak

ATTACHMENT B

Letter from William Miller to George Newi

May 18, 1994

May 18, 1994

Mr. George Newi
Executive Vice President
ABC Affiliate Relations
77 West 66th Street - 2nd Floor
New York, NY 10023-6298

Dear George:

I received your letter officially advising us of our change in network compensation rate based on the November to November performance of KTVK.

I had received a call from Barbara Zuck earlier in the week advising us of the numbers and the reason for the decrease. Although I understand the "official" policy, I want to take this opportunity to request a reconsideration, not of the adjustment policy but of our base compensation rate upon which the annual adjustments are made.

Until last August, KTVK had not received any regular network compensation from ABC for several years. During that same period our company invested millions into building what has become one of the leading ABC affiliates in the nation.

During the past seven years, ratings for the ABC television network in the Phoenix market have enjoyed such dramatic increases in households and every major demo that most of our contacts at the network and throughout the country tell us that KTVK is "The most significant turn around of any network affiliated station in a major market in the past ten years." We really don't know if that is true. We do know that we have built KTVK into the number one television station in Arizona. We know that we provide to our network the largest and most valuable audience of any affiliate in our market.

Still, we believe, we are paid far less network comp than the other network affiliates against which we compete. More importantly, we know that ABC pays KTVK significantly less comp than it pays affiliates in much smaller markets that contribute far less to the success of the network.

Mr. George Newi
May 18, 1994
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KTVK has become a strong contributor and supporter for ABC. We suggested the idea that led to the first informal meeting of the so-called "futures committee" and we have supported the concept of partnering with the network in future business endeavors. We have committed the time and energy of our management team to strengthen the network. Our promotion manager has served as chairman of the ABC Affiliate promotion board, our community relations manager served as vice chair of the ABC Affiliate community relations advisory board, our news director is currently chairman of the ABC ABSAT board and I have recently been nominated to the ABC Affiliates Association Board. We have taken an active role in supporting political positions of the network, among the affiliate body and on Capitol Hill.

When you needed voices to speak in favor of your positions, we have raised ours in your behalf. Against a throng of local outrage against the decision to run *N.Y.P.D. Blue*, KTVK took a strong stand on your side in meetings with other affiliates and within our very conservative community. When you needed stations to support *Nightline*, we stood beside you and strongly supported your position. We contributed crews, equipment and dollars to *GMA's Southwest Bus Tour*. When you were looking for supporters for *Mike & Maty*, we were right there to wave the flag. KTVK is the largest radio advertiser in Arizona. A significant portion of the millions we have spent annually to promote our station has obviously benefited ABC.

We certainly understand the business decision that dictates the annual rate adjustment. We support that decision. What we sincerely request is a reassessment of KTVK's basic hourly rate based on the current real value that this station offers to its network partner. We believe and trust that a fair analysis will dictate that a significant increase has long since been earned.

We are willing to meet at any time, any place to discuss this appeal.

Thank you for your consideration. Hope all is well. We look forward to seeing you in Los Angeles in a few weeks.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill".

BM:rp

Mr. George Newi
May 18, 1994
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The warm and close working relationship that we have developed with the network over the past few years, coupled with simple fairness should support a reconsideration of our financial relationship.

Let's consider some history. There was a time, ten or twelve years ago, when we may have received exactly what we deserved. Back then we were the third rated affiliate in the market and often under-delivered audience relative to the network's national average. Our local newscasts were in a poor third place, our syndicated product was not very competitive. When the late Senator McFarland passed control of the company to his daughter and son-in-law, Del and Jewell Lewis, they made a decision to do "whatever it takes" to bring the company into a leadership position. With some strong counseling from executives they trusted at ABC, they began to build a management team. They spent millions on equipment, promotion and programming. Eight years later, that entire management team is still together and the station's achievements are significant.

Just as the station was beginning its dramatic rise, our CBS competitors, Great American Communications, approached ABC about swapping affiliations. After some careful study by ABC, it was obviously concluded that KTVK was on the way up and our competitors were on the way down. A swap would have been devastating to the network in Phoenix. After several months of "consideration" the network elected to continue its relationship with KTVK. Still, when ABC resigned the affiliation agreement, it was with no compensation at all.

Rather than allowing this serious setback to slow the inertia already growing, the Lewis Family continued their policy of reinvesting into KTVK, supporting ABC and actively working to build a true and valuable partnership with the network. The result was a very obvious win/win for both the station and ABC.

Starting last August, after those years of no compensation at all, ABC began paying us almost the same hourly amount that we had received ten years ago. With any adjustment for inflation, it was actually far less.

We value our partnership with ABC. We are committed to the success of the network. But, the truth is, by any standard, the dollars we are receiving today are simply not equal to the value and commitment we have brought to ABC. They have not changed with KTVK's contribution to the network and its circulation base. Phoenix is now the 20th market in America. KTVK is the news leader in Phoenix, the daytime leader, the prime time leader, the community leader, the revenue leader and most importantly the demo leader among all Arizona stations.